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IOWA LEGISLATIVE INTERIM CALENDAR AND BRIEFING

December 22, 2015

2015 Interim No. 11

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December 2015 January 2016

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January 8, 2016

Administrative Rules Review Committee

9:00 a.m., Room 116, Statehouse

Monday, January 11, 2016

Eighty-sixth General Assembly 2016 Regular Session Convenes

10:00 a.m., Senate and House of Representatives Chambers, Statehouse

Iowa Legislative Interim Calendar and Briefing is published by the Legal Services Division of the Legislative Services Agency (LSA). For additional information, contact: LSA at (515) 281-3566.

AGENDAS

INFORMATION REGARDING SCHEDULED MEETINGS

Administrative Rules Review Committee

Chairperson: Representative Dawn Pettengill

Vice Chairperson: Senator Wally Horn

Location: Room 22, Statehouse

Date & Time: Friday, January 8, 2016, 9:00 a.m.

LSA Contacts: Jack Ewing, Legal Services, (515) 281-6048; Tim Reilly, Legal Services, (515) 725-7354

Agenda: Published in the Iowa Administrative Bulletin:

<https://www.legis.iowa.gov/IowaLaw/AdminCode/bulletinSupplementListing.aspx>

Internet Page: <https://www.legis.iowa.gov/committees/committee?endYear=2015&groupID=705>

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Health Policy Oversight Committee

December 7, 2015

Co-chairperson: Senator Amanda Ragan

Co-chairperson: Representative David Heaton

Background. The Health Policy Oversight Committee (HPOC) of the Legislative Council was established as a permanent legislative committee of the Legislative Council under Iowa Code section 2.45 in 2015 Iowa Acts, chapter 137, section 64:

“The legislative health policy oversight committee, which shall be composed of members appointed by the legislative council. The legislative health policy oversight committee shall receive updates and review data, public input and concerns, and make recommendations for improvements to and changes in law or rule regarding Medicaid managed care.”

In addition, under 2015 Iowa Acts, chapter 137, section 63, the committee is tasked with receiving the compilation of the input and recommendations of the public meetings convened by the Department of Human Services (DHS) beginning in March 2016.

The Legislative Council appointed the 10 members of the committee, including Senator Amanda Ragan and Representative David Heaton, as co-chairpersons.

Procedural Business. The meeting was called to order at 10:11 a.m., and was adjourned at 3:42 p.m. The committee approved the minutes of the November 3, 2015, meeting of the committee as distributed.

Department of Human Services (DHS)/Managed Care Organization (MCO) Panel. Ms. Mikki Stier, Iowa Medicaid Director, DHS; Ms. Liz Matney, Managed Care Director, Division of Managed Care, DHS; Mr. Jeffrey Jones, Chief Operating Officer, Amerigroup Iowa, Inc.; Ms. Cheryl Harding, Market President, AmeriHealth Caritas Iowa; Ms. Kim Foltz, Chief Executive Officer, UnitedHealthcare Plan of the River Valley, Inc.; and Ms. Lauralie Rubel, President, Well-Care of Iowa, provided an update on the implementation status of Medicaid Managed Care and answered questions posed by the committee members. DHS also provided a copy of the MCO comparison chart of value-added services, a document entitled “Medicaid Modernization,” and a copy of the Governor’s announcement of a safe harbor time period extending until April 1, 2016, the time period during which Medicaid providers will receive 100 percent of the current Medicaid rate for the respective provider.

Update from Medical Assistance Advisory Council (MAAC) Executive Committee. Mr. Gerd Clabaugh, Director, Department of Public Health and Chairperson of the MAAC and the MAAC Executive Committee; Ms. Shelly Chandler, Executive Director, Iowa Association of Community Providers; Mr. Dennis Tibben, Director, State Government Affairs, Iowa Medical Society; and other members of the MAAC and the MAAC Executive Committee, provided background regarding MAAC, the MAAC Executive Committee, recent meetings of the MAAC and the MAAC Executive Committee relating to the topic of Medicaid Managed Care, and the listening sessions scheduled to begin in March 2016 to provide oversight for Medicaid Managed Care.

Motion to Request a Delay of Implementation of Medicaid Privatization. Senator Joe Bolckorn moved that the HPOC request the White House and the Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services delay privatization of the Medicaid program until July 1, 2016. The motion was seconded by Senator Liz Mathis. Following recess for a caucus and discussion, on a vote of three-to-two in the Senate and two-to-three in the House, the motion failed.

Public Comment. The committee received public comment. The majority of the public comments were submitted in writing and are posted on the committee’s webpage. Those public comments not submitted in writing will be summarized in the minutes of the meeting.

Committee Discussion and Next Steps. Following additional discussion, the committee considered the possibility of holding another meeting prior to the beginning of the legislative session. The co-chairpersons determined they would need to speak with leadership regarding the possibility of holding another meeting.

Committee Documents. Documents distributed at the meeting, including the written presentations submitted by DHS and the MCO are posted on the Committee’s webpage: <https://www.legis.iowa.gov/committees/committee?ga=86&groupID=24165>.

LSA Contacts: Patty Funaro, Legal Services, (515) 281-3040; Rachele Hjelmaas, Legal Services, (515) 281-8127; Internet Site: <https://www.legis.iowa.gov/committees/committee?ga=86&groupID=24165>

LEGISLATIVE TAX EXPENDITURE COMMITTEE

December 9, 2015

Co-chairperson: Senator Joe Bolkcom

Co-chairperson: Representative Tom Sands

Overview. In 2010, Iowa Acts chapter 1138 (SF 2380) established the Legislative Tax Expenditure Committee under Iowa Code sections 2.45(5) and 2.48. The committee is required to conduct regular reviews of all tax credit, withholding credit, and revenue division programs. The committee may review any tax expenditure at any time but is required to review specific tax expenditures during specified years. In 2015, the committee is required to review the agricultural assets transfer tax credit, the custom farming contract tax credit, the claim of right tax credit, the S corporation apportionment tax credit, the Iowa alternative minimum tax credit, the assistive device corporate tax credit, the charitable conservation contribution tax credit, the fuel tax credit, and the new jobs tax credit. These and other topics were reviewed at the committee's first 2015 meeting, held on November 18, 2015.

Update on Reporting for Tax Increment Financing. Mr. Jeff Robinson, Senior Fiscal Analyst, Fiscal Services Division, Legislative Services Agency (LSA), presented a preliminary report on tax increment financing (TIF) reporting data for FY 2015. Mr. Robinson provided a brief history of the TIF reporting requirements and the reports released to date. TIF reporting requirements were enacted in 2012 and require local governments with existing urban renewal areas to annually report a variety of data to the Department of Management through a state Internet site to be incorporated into a report to be submitted to the General Assembly and the Governor. He noted that as of December 6, 2015, a total of 412 of an expected 475 reports (86.7 percent) have been filed by local governments for FY 2015. Mr. Robinson provided aggregate data on the financial status of TIF revenue and data on the amount and type of debt reported by local governments, including data on the 10 local governments with the highest reported TIF debt. He noted that the data presented to the committee is preliminary and that final numbers would be presented in the LSA's annual report released in early 2016.

School Tuition Organization Tax Credit. Dr. Amy Rehder Harris, Administrator and Chief Economist, Tax Research and Program Analysis Section, Iowa Department of Revenue (IDR), provided background information and statistical analysis on the school tuition organization (STO) tax credit, which was first reviewed by the committee in 2012. The STO tax credit is a nonrefundable tax credit equal to 65 percent of the amount of voluntary cash contributions made to qualifying STOs that provide tuition grants to eligible students. Donors are prohibited from directing contributions to a specific student or school, but can choose a specific STO. In order to be eligible to receive a tuition grant from an STO, a student must live in an Iowa household whose total income does not exceed three times the federal poverty level. Tuition grants cover all or part of the tuition at an accredited nonpublic elementary or secondary school. Dr. Harris provided historical data on STO tax credit aggregate award caps since its inception (currently \$12 million per year), described the administrative process by which IDR annually allocates this aggregate cap among the STOs, and provided data on how the tax credit cap will be allocated among the existing STOs in 2016. Dr. Harris also described the STO annual reporting requirements and IDR's monitoring requirements. She provided data on STO tuition grants; STO tax credit awards and claims by taxpayer type, number, and amount; and the timing of STO tax credit claims per available tax year.

Volunteer Fire Fighter, Emergency Medical Services Personnel, and Reserve Peace Officer Tax Credit. Dr. Harris provided background information and statistical analysis on the tax credit available to volunteer fire fighters, emergency medical services (EMS) personnel, and reserve peace officers for voluntary services performed in Iowa. This nonrefundable tax credit equals \$100 per volunteer per year and is prorated for those who serve for less than an entire year. Taxpayers may only claim the credit for one type of service. She described eligibility requirements under the credit for volunteer fire fighters, volunteer EMS personnel, and reserve peace officers. She also provided data on tax credit claims for both 2013 and 2014 by filing status, adjusted gross income, and county.

Solar Energy Tax Credits. Dr. Harris provided background information and statistical analysis on the solar energy tax credit, a nonrefundable tax credit available for solar systems installed at a residence or business in Iowa. The credit is equal to 60 percent of the related federal credits for installations occurring in 2015, reduced to 50 percent for installations occurring on or after January 1, 2016. The federal credits are scheduled to expire at the end of 2016, which would also end the availability of the state credits. The credit is limited to \$5,000 for each separate residential installation and \$20,000 for each separate business installation. The credit also has an aggregate cap of \$5 million per year. Dr. Harris explained the solar application requirements and provided data on tax credit awards by installation type, number of awards, average award, installation year, and location of installation. She also analyzed tax credit claims

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(Tax Expenditure Committee continued from page 4)

by tax type and amount carried forward. Additionally, she noted that the solar tax credit application process has been moved entirely online into IDR's tax credit award claim and transfer system (CACTAS), the online system supporting the tax credit administration responsibilities of IDR and other state agencies that facilitate tax credit award programs. She stated that CACTAS eliminates time-consuming data entry and makes the review process more efficient.

Machinery and Equipment Sales and Use Tax Exemptions. Dr. Harris and Ms. Victoria Daniels, Public Information Officer and Legislative Liaison, IDR, discussed the machinery and equipment sales and use tax exemptions in Iowa Code sections 423.3(47) and 423.3(48), and the recent administrative rule changes related to these exemptions proposed in ARC 2178C and ARC 2239C. Ms. Daniels provided a brief historical background on IDR's proposed administrative rule changes, previous efforts to address these issues through legislation, and the estimated fiscal impact of these rules to state tax revenues. Dr. Harris provided data and statistical analysis of the estimated impact these administrative rules may have on sales and use tax revenues transferred to local governments. The changes are expected to reduce local option sales tax (LOST) revenues and the amount of tax revenue transferred to the Secure an Advanced Vision for Education (SAVE) Fund, and have the potential to reduce the amount of funds transferred to flood mitigation projects under Iowa Code chapter 418 and to reinvestment district projects under Iowa Code chapter 15J because those programs rely on new sales tax revenues. She explained the limitations on using sales and use tax return data to estimate impacts to specific local governments, and discussed the assumptions IDR made in producing its estimates. Dr. Harris discussed the share of manufacturing in flood mitigation districts and provided data on the statewide distribution of sales and use tax liability by tax type for all permit holders and for manufacturers, the estimated retail taxable sales by business group in the flood mitigation districts, and the share of taxable retail sales remitted by manufacturers among the flood mitigation districts compared to statewide. Additionally, she provided data on the potential revenue impact to SAVE and the Property Tax Equity and Relief Fund, and translated those impacts into an estimated impact per pupil.

Committee Discussion and Public Comment. The committee discussed the presentations made during the meeting and its desired goals for future committee meetings. Members of the public were invited to speak during a public comment period, but no public comments were made.

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Agenda: To Be Announced.

Internet Site: <https://www.legis.iowa.gov/committees/committee?ga=86&groupID=594>

PUBLIC RETIREMENT SYSTEMS COMMITTEE

December 9-10, 2015

Co-chairperson: Senator Thomas G. Courtney

Co-chairperson: Representative Dawn Pettengill

Overview. The Public Retirement Systems Committee received testimony from various organizations and individuals concerned with deferred compensation programs for certain state and school employees, the Municipal Fire and Police Retirement System, the Iowa Public Employees' Retirement System, the Peace Officers' Retirement System, and the Judicial Retirement System.

Pension Retirement Systems Review. Mr. Ed Cook, Senior Legal Counsel, Legislative Services Agency (LSA), reviewed information provided on the committee Internet site, a new Internet site being developed by LSA for public pension information, the public retirement systems that are the focus of the committee, and the important role legislators play relative to the public retirement systems in the state. Mr. Cook noted pending pension legislation and discussed key retirement concepts such as retirement benefit adequacy and funding policy.

DEFERRED COMPENSATION PROGRAMS

Department of Administrative Services (DAS). Ms. Janet Phipps, Director, DAS, discussed the supplemental deferred compensation programs operated by DAS collectively called the Retirement Investors' Club (RIC). The programs are differentiated by the three applicable Internal Revenue Code sections describing public employee deferred compensation programs: sections 457, 401(a), and 403(b). The DAS programs provide plan administration and compliance and are the governmental employee programs similar to private sector section 401(k) plans. The section 457 program is available to primarily state employees, includes an employer match component (section 401(a)), and is utilized by

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about 56 percent of eligible employees. The state's section 403(b) program, which covers primarily educational employees, was established in 2009, allows educational employers and their employees the ability to utilize the program to provide this option, and is utilized by about 15,000 participants. The initial state section 403(b) program was started through a request for proposals (RFPs) process and will continue through December 2015. Beginning January 2016, the investment providers available for the sections 457, 401(a), and 403(b) programs will change. Pursuant to an RFP process, four core providers were selected for all programs pursuant to certain requirements relating to fees and other service and performance metrics. In addition, DAS used an invitation to qualify (ITQ) process to allow other optional providers for the section 403(b) program. If a prospective vendor met certain minimum requirements, the vendor was added to the optional provider list. Five providers are included on the optional provider list and are available to all section 403(b) employers to select as a part of their plan when completing a RIC adoption agreement.

National Association of Insurance and Financial Advisors (NAIFA). Mr. Greg Johnson, Iowa President, NAIFA, and Mr. Richard Dobson, Former Iowa Officer, NAIFA, addressed the committee concerning the state's section 403(b) program. The 2009 change in how section 403(b) programs were made available to teachers in the state was detrimental to the goal of encouraging both younger and older employees to participate in a section 403(b)-type program. Financial advisors are important in educating employees about the benefits of retirement savings and the new DAS optional section 403(b) provider program should allow more financial advisors the opportunity to educate employees and increase employee participation in the state's section 403(b) plan.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI).

MFPRSI Staff. Mr. Terry Slattery, Executive Director, MFPRSI, and Mr. Glen Gahan, Actuary, Silverstone Group, provided background information concerning the retirement system. Mr. Slattery noted that the mission of the system is to provide a comprehensive set of retirement and disability benefits to eligible local police officers and fire fighters in a sound, sustainable, and efficient manner, in accordance with the requirements of the program's governing statute. The vision statement for the system provides additional background on the mission goals of providing a comprehensive, efficient, sound, and sustainable retirement system. Mr. Slattery reviewed the current investment allocation policy and noted that the plan performance expectation for the system is 7.6 percent. Mr. Gahan discussed the financial condition of the system and noted that the system has adopted a funding policy with the goal of fully funding the system over a 25-year period using a steady contribution rate. In meeting this goal, Mr. Gahan noted that the system has changed the method of amortizing the system's unfunded liability by moving to a 25-year closed, layered, level-dollar, amortization schedule. In the last few years, the funded ratio of the system has improved from 74 percent to 81 percent while the city's contribution rate has been reduced from 30.41 percent for FY 2015, to 25.92 percent for FY 2017. Mr. Gahan discussed the system's blended mortality table and noted that it has matched the system's current mortality experience. Mr. Gahan discussed future trends in the actuarial contribution rate to be paid by cities and the system's funded ratio over the next 25 years using current assumptions. By the end of the 25 year period, the system would be over 99 percent funded and the city contribution rate would decrease to the required minimum city contribution rate of 17 percent.

Iowa League of Cities. Mr. Dustin Miller, General Counsel, Iowa League of Cities, addressed the committee and commented that pension issues concerning the MFPRSI are a priority issue for the League. Mr. Miller noted that police and fire employees are valued to cities and a quality pension system is critical for attracting quality individuals to these positions. While noting that MFPRSI is a well-run pension system, Mr. Miller cited several cost concerns for cities. Currently, any variability in the cost of the system is borne entirely by the cities and the state has not provided any supplemental cost assistance since 2013. In addition, five participating cities in MFPRSI are contributing to both MFPRSI and to Social Security. Mr. Miller stated that city costs for providing short-term disability and on-duty injury medical coverage are significant and an issue in need of further study. Additionally, Mr. Miller noted that recent accounting standard reporting changes are requiring cities to recognize pension liabilities for their financial reports. Mr. Miller expressed the hope that both the cities and employee members can agree on the need for a quality and sustainable retirement system, that the state should fulfill its initial promise of providing a contribution of 3.79 percent, and that additional research needs to be conducted concerning medical costs.

Iowa Professional Fire Fighters and Iowa State Police Association. Mr. Doug Neys, President, Iowa Professional Fire Fighters, and Mr. Zach Lewis, President, Iowa State Police Association, addressed the committee. The associations believe that the system is working as designed, is managed well, and is sustainable without any changes. The associations appreciate the fact that the system was allowed to work as designed after the financial crisis without any significant changes. While Mr. Neys noted that health and safety issues are always a concern for fire fighters, neither

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association is recommending any changes to the system. The associations did request that the state restore its funding partnership with the system, noting that the services provided by police officers and fire fighters covered by MFPRSI provide a benefit to the entire state.

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

IPERS Staff. Ms. Donna Mueller, Chief Executive Officer, and Ms. Patrice Beckham, Consulting Actuary, provided an overview of the retirement system, focusing primarily on the June 30, 2015, actuarial valuation of the system. Ms. Mueller noted that the mission and vision for IPERS is to provide and administer a sustainable and affordable retirement plan that provides lifetime pension payments to public employees and which serves to attract and retain a quality workforce. Ms. Beckham noted that IPERS funding policy establishes a goal of 100 percent funding for each of the three membership groups in IPERS. To reach this goal, IPERS has moved to a closed 30-year amortization period for the initial unfunded liability of each membership group with any new changes in expected unfunded actuarial liability to be amortized over a 20 year period. In addition, the funding policy provides that the contribution rate for any of the membership groups will not decline until that group within IPERS reaches 95 percent funding. Based on the June 30, 2015, actuarial valuation, the funded status of the entire system based upon the actuarial value of assets has increased to 83.7 percent. The total contribution rate for the regular membership classification will remain at 14.88 percent of pay, payable on a 60-40 employer and employee basis, resulting in an additional contribution to the fund above the actuarially required contribution of .71 percentage points. For members of the sheriffs and deputies classification, the total contribution rate will be reduced from 19.76 percent of pay to 19.26 percent, payable on a 50-50 employer and employee basis, still resulting in an additional contribution to the fund above the actuarially required contribution of 1.76 percentage points. For members of the protection occupation classification, the total contribution rate will be 16.40 percent of pay, payable on a 60-40 employer and employee basis, resulting in an additional contribution to the fund above the actuarially required contribution of .39 percentage points. Ms. Beckham discussed the development of the discount rate for IPERS, differences between corporate and public pension requirements, mortality table development, and the differences between financial reporting and funding of pensions. In summary, Ms. Beckham noted that prior positive investment returns and the contribution rate funding policy indicate a positive trend in the funded ratio of the system if all other assumptions are met. For the 2016 Legislative Session, Ms. Mueller noted that IPERS is not proposing any changes.

IPERS Investment Board. Mr. David O. Creighton, Sr., Chairperson, and Mr. Karl Koch, Chief Investment Officer, addressed the committee relative to the role of the investment board and IPERS investments. Mr. Creighton noted the fiduciary responsibility of the board as a trustee of the IPERS fund and its role in setting and reviewing investment policy and actuarial assumptions. Mr. Koch noted that IPERS remains a well-diversified portfolio with an increasing effort in managing risk. Mr. Koch discussed the asset allocation of the IPERS portfolio, commented on the real estate asset class, and discussed the manner in which private equity investments are made and the fees associated with this form of investment. Mr. Koch also noted that IPERS has now recovered over 96 percent of the principal initially lost in the Westridge Capital Management fraud case. Ms. Mueller noted that over the next year, the investment board will be exploring alternative compensation models for hiring and retaining good investment managers within IPERS.

IPERS Benefit Advisory Committee (BAC). Mr. Len Cockman, Chair, and Mr. Brad Hudson, Vice Chair, addressed the committee. The goal of membership groups represented on the BAC is the long-term viability of the IPERS trust fund. In 2010, members responded to financial challenges facing the system by supporting legislation reducing benefits for all members and increasing contribution rates. The one weakness of IPERS is that the system does not provide any inflation protection for retirees. The BAC has decided to study the issue of providing some form of inflation protection, like a COLA, and to identify costs and plausible solutions that may be recommended once IPERS begins to reach fully funded status.

PEACE OFFICERS' RETIREMENT SYSTEM (PORS)

PORS Staff. Ms. Charis Paulson, PORS Director of Administrative Services, and Ms. Beckham provided background on the system. Based upon the July 1, 2015, actuarial valuation of the system, the funded status of the system based upon the actuarial value of assets improved to 74 percent after having been only 61 percent on June 30, 2012. Due to an increasing employer contribution rate and the \$5 million standing supplemental state appropriation to the fund, total contributions to the fund will exceed the actuarially required contribution by 7.76 percentage points as of July 1, 2015. Longterm, the impact of the changes to the system during the 2010 Legislative Session in benefits and contributions and the payment of contributions above the actuarially required rate will result in the funded status of the system im

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proving to about 85 percent by the year 2019 and 100 percent by 2029, assuming all other assumptions are met. In response to committee questions, the presenters noted that the Treasurer of State's office, in coordination with a newly hired investment consultant, is undergoing an asset/liability study to examine the asset allocation of the system and whether the current 8 percent investment return assumption needs to be changed.

State Police Officers Council (SPOC) and Iowa State Patrol Supervisors Association (ISPSA). Ms. Sue Brown, SPOC, and Sergeant Marland Winter, ISPSA, expressed appreciation for the legislative changes made in 2010 that have improved the financial viability of the system. Members covered by PORS do not receive Social Security and rely on the pension system upon retirement. Both presenters noted concern with the current number of active trooper members and the impact this has on public safety.

JUDICIAL RETIREMENT SYSTEM

Ms. Peggy Sullivan, Director of Finance and Personnel, Judicial Branch, and Ms. Beckham provided background on the retirement system, which covers all full-time judges and other judicial officers. Ms. Sullivan noted that the Judicial Retirement System is referenced in the Iowa State Constitution and is administered by the State Court Administrator. The Treasurer of state is responsible for investing the assets of the retirement fund. Ms. Beckham then discussed the July 1, 2015, actuarial valuation of the system. The funded status of the system based upon the actuarial value of assets has made considerable improvement in the last five years, improving to 84 percent on July 1, 2015, from 78 percent in the prior fiscal year. As a result, the fixed statutory contribution rate now exceeds the actuarially required rate which should assist in further improving the funded status of the system. Assuming all assumptions are met, the system should be fully funded by July 1, 2022.

Committee Discussion. The committee did not adopt any formal recommendations. Committee members did agree that further study should be conducted on the issue raised by the Iowa League of Cities concerning medical costs incurred by cities within MFPRSI and that additional educational presentations on pension topics be scheduled.

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Agenda: To be announced.

Internet Site: <https://www.legis.iowa.gov/committees/committee?endYear=2015&groupID=655>